

***United States Court of Appeals  
for the Second Circuit***



**APPELLEE'S BRIEF**





# 75-7604

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**United States Court of Appeals**  
FOR THE SECOND CIRCUIT

CAPRI JEWELRY INCORPORATED and TANCHER & Two, Inc.,

*Plaintiffs-Appellees.*

*v.*

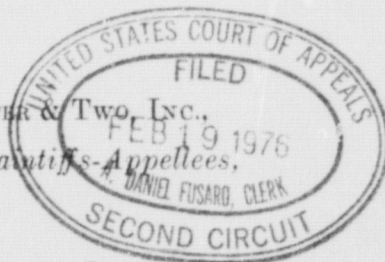
HATTIE CARNEGIE JEWELRY ENTERPRISES, LTD.,

*Defendant-Appellant,*

*and*

BILL G. JAMES,

*Defendant.*



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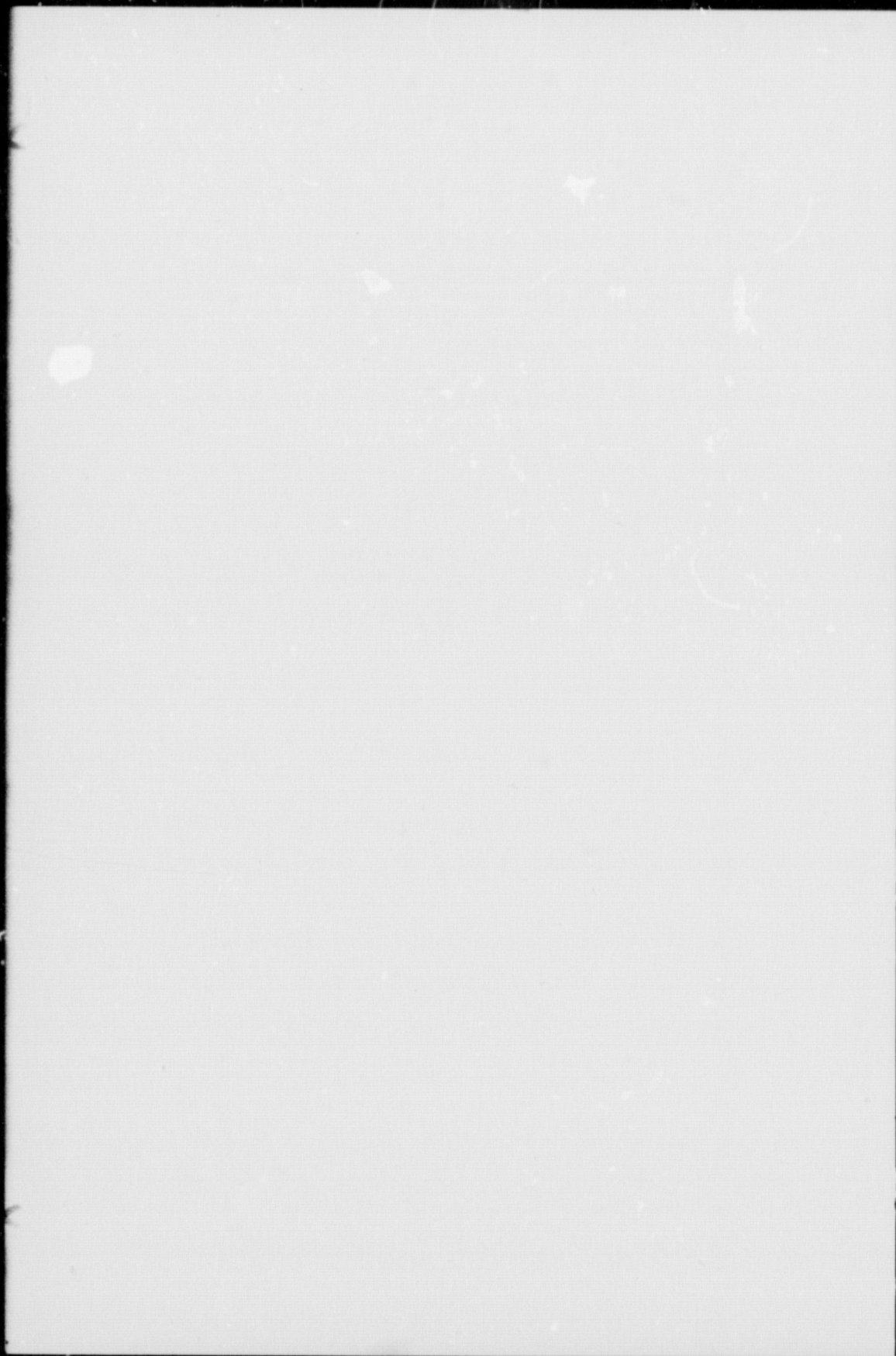
**BRIEF FOR PLAINTIFFS-APPELLEES**

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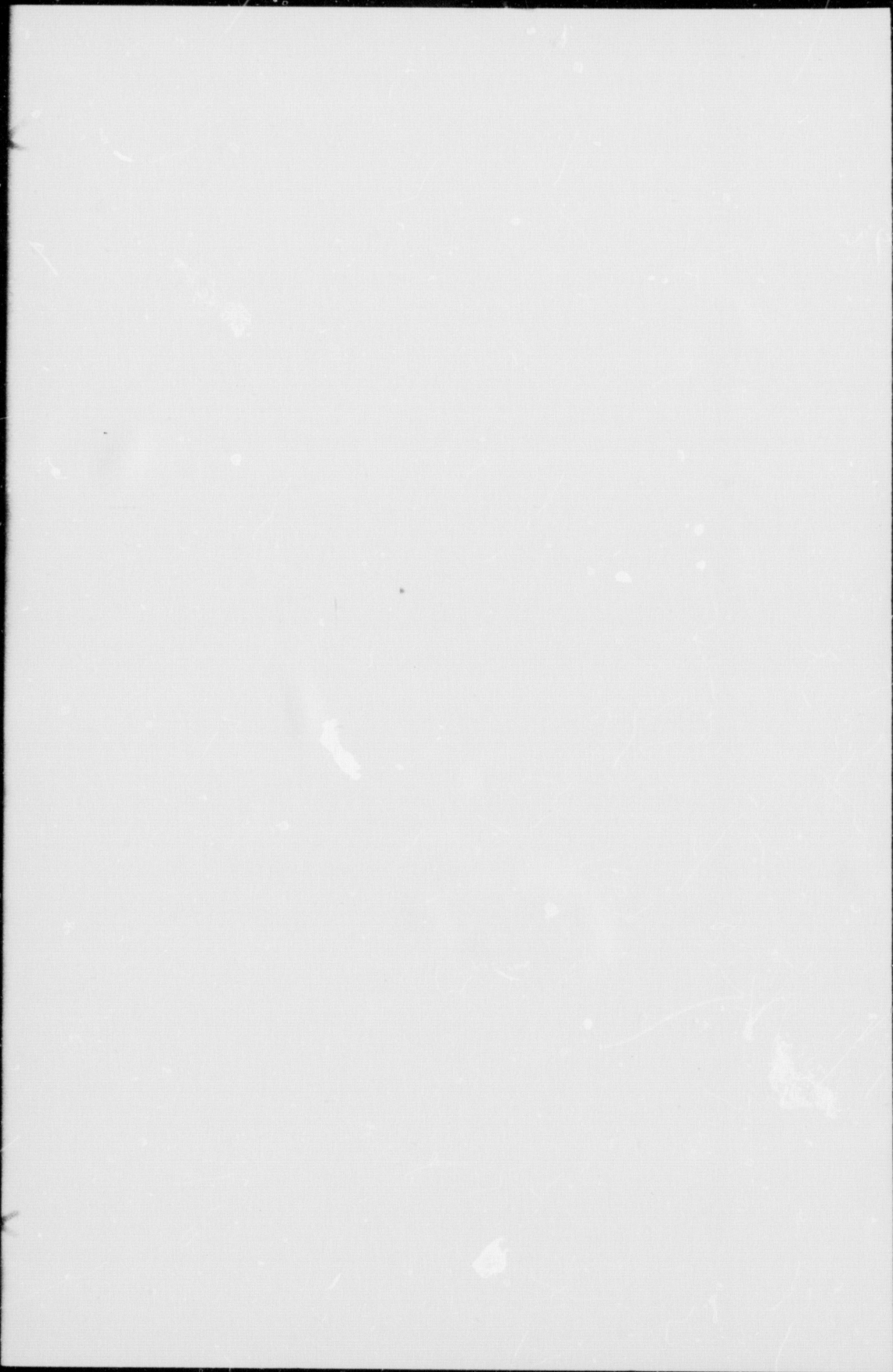
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# United States Court of Appeals

FOR THE SECOND CIRCUIT

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CAPRI JEWELRY INCORPORATED and TANCER & TWO, INC.,  
*Plaintiffs-Appellees,*  
*v.*

HATTIE CARNEGIE JEWELRY ENTERPRISES, LTD.,  
*Defendant-Appellant,*  
*and*

BILL G. JAMES,  
*Defendant.*

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## BRIEF FOR PLAINTIFFS-APPELLEES

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### I. Restatement of the Issues Presented for Review

Plaintiffs-appellees Capri Jewelry Incorporated and Tancer & Two, Inc. (hereinafter collectively "plaintiffs Capri-Tancer") are dissatisfied with the statement of issues presented by defendant-appellant Hattie Carnegie Jewelry Enterprises, Ltd. (hereinafter "defendant Hattie Carnegie") and restate the issues presented for review as follows:

1. Is defendant Hattie Carnegie estopped from asserting that the District Court erred in permitting plaintiffs Capri-Tancer to maintain an action seeking: a declaration of non-infringement of U.S. Patent No. 3,802,945 issued on April 9, 1974 in the name of Bill G. James ("the Patent") against defendant Hattie Car-

negie; and an injunction precluding defendant Hattie Carnegie from continuing to make charges of infringement of the Patent after defendant Hattie Carnegie had openly and notoriously represented that it would take immediate and severe legal action against any retailer, wholesaler or manufacturer who may infringe the Patent?

2. Are the findings of fact made by the District Court pursuant to Rule 52(a), F.R.C.P. that: the Patent was not infringed by plaintiff Tancer's THE PERSONALITY RING and plaintiff Capri's TATTLETALE RING; and, that the patentee James could not recapture by resort to the doctrine of equivalents claim coverage which was surrendered in the United States Patent Office by amendment in order to overcome the rejection of the James application as unpatentable over the prior art, clearly erroneous and unsupported by the trial record such that these findings of fact should be set aside on appellate review?

3. Is defendant Hattie Carnegie entitled to rely upon off-the-record statements allegedly made by the District Court in Chambers prior to the commencement of the limited trial on the issue of infringement in support of its assertion that there has been a denial of due process when such statements were never made part of the trial record and defendant Hattie Carnegie has not complied with Rule 10(c), F.R.A.P.?

## **II. Statement of the Case**

### **A. Nature Of The Case**

This action, which was commenced on October 8, 1975 by the filing of a Verified Complaint by plaintiffs Capri-Tancer against defendant Hattie Carnegie and the patentee James, sought the following relief: a declaratory judgment that the Patent was not infringed and was invalid

(Count I); a holding that defendant Hattie Carnegie had committed unfair competition in improperly asserting to the trade and purchasing public that the Patent afforded to it a monopoly on color-change rings to the detriment and damage of plaintiffs Capri-Tancer (Count II); and a determination that defendant Hattie Carnegie was guilty of false patent marking under 35 U.S.C. 292 (Count III) (A I 3a-20a).\*

The Verified Complaint alleged “. . . that defendant Hattie Carnegie and its chief operating officer Larry Joseph had embarked upon a campaign, both orally and in writing, the expressed intent and import of which was to cause the trade and retailers to believe that all Color-Change Rings, including those being sold by plaintiffs, infringed upon said Novelty Device Patent [the Patent].” (Complaint, par. 17, A I 7a-8a). The Verified Complaint enumerated the following specific acts in defendant Hattie Carnegie’s campaign (Complaint, par. 18, A I 8a-9a):

1. On September 19, 1975, defendant Hattie Carnegie placed a notice in *Women’s Wear Daily*, a leading trade publication, which concluded with the following emphasized statement:

*“Immediate, severe legal action will be taken against any retailer, wholesaler or manufacturer who may infringe on this federal patent.”* (Complaint, Ex.

- 2, A I 20a; Px. 3A, A II 76)\*\*

2. Thereafter, defendant Hattie Carnegie charged leading retailers throughout the United States, in-

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\* Reference in this Brief to the Record reproduced in “APPENDIX VOLUME I” and in “APPENDIX VOLUME II—EXHIBITS” will be by the abbreviation “A” followed by the volume number and the page or pages of the corresponding volume.

\*\* Plaintiffs Capri-Tancer’s trial exhibits will be referred to by the notation “Px.” followed by the exhibit number; and defendant Hattie Carnegie’s trial exhibits will be referred to by the notation “Dx.” followed by the corresponding exhibit letter.



cluding Gimbel Brothers Inc., with infringement of the Patent. The charge of infringement by defendant Hattie Carnegie against Gimbel's was by telegram and letter on September 27 and 29, 1975 (Px. 4A, A II 78-9).

3. Finally, on October 2, 1975 (six days prior to the commencement of this action), defendant Hattie Carnegie, along with the patentee James, commenced an action in the Southern District Court against Gimbel Brothers Inc., charging Gimbel's with infringement of the Patent (Px. 13, A II 91-5). The commencement of this action resulted in further trade publicity in *Women's Wear Daily* on October 3, 1975 (Px. 3D, A II 77).

#### **B. The Proceedings Below**

In the Verified Complaint filed on October 8, 1975, plaintiffs Capri-Tancer, both of whom have been engaged in the manufacture and sale of costume jewelry for many years (Complaint, pars. 6, 7, A I 4a-5a), represented to the District Court that: the retail sale of costume jewelry annually exceeds Five Hundred Million Dollars (\$500,000,000.00); a substantial portion of such retail sales occurs during the pre-Christmas period which extends for approximately 6-8 weeks prior to Christmas day (Complaint, par. 8, A I 5a); costume jewelry sales are booked during the months of September and October and reorders occur thereafter (Complaint, par. 9, A I 5a); and defendant Hattie Carnegie's campaign relative to the Patent was causing plaintiffs Capri-Tancer irreparable harm and damage (Complaint, par. 32, A I 13a-14a).

Thus, based on these facts and the realities of the marketplace, plaintiffs Capri-Tancer indicated to the District Court during a conference in Chambers on October 10, 1975 that they would expeditiously move for summary judgment of non-infringement. Cognizant of plaintiffs

Capri-Tancer's need for immediate relief, the District Court instead directed an early trial on the single issue of infringement (Introduction to Opinion, A I 21a). Also, during the course of this conference, ". . . Capri and Tancer were directed to supply representative samples of their color-change rings to Hattie Carnegie." (Opinion 7, A I 23a).\*

After plaintiffs Capri-Tancer complied with the District Court's Order, and during a further conference in Chambers on October 14, 1975, ". . . Hattie Carnegie advised the Court that, *after consultation with James*, it was dropping its charge of infringement against Capri's Style No. 649R, but maintaining its charge of infringement against THE PERSONALITY RING and the TATTLETALE RING." (Opinion 7, A I 23a) (emphasis supplied).

Also, during this October 14, 1975 conference ". . . with the consent of Hattie Carnegie, the Court entered a Partial Judgment By Consent pursuant to which it was adjudged that Capri's color-change ring, as exemplified by the samples previously submitted to Hattie Carnegie and identified by Capri's Style No. 649R, did not infringe on any claim of the Patent. However, *there is a justiciable controversy* as to whether or not THE PERSONALITY RING being sold by Tancer and the TATTLETALE RING being sold by Capri infringe the Patent." (Opinion 8, A I 23a) (emphasis supplied).

The Partial Judgment By Consent provided in paragraph (c) of the recitals thereof that (Index to the Record on Appeal, Document 16):

*"Defendant Bill G. James is the owner of United States Patent No. 3,802,945 and has consented to the jurisdiction of this Court and entry of this Consent*

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\* Reference to specific findings made by the District Court will be by the notation "Opinion" followed by the corresponding finding number.

*Judgment with respect to the issue of infringement only, and has not waived his right to contest jurisdiction on all other issues, . . .*" (emphasis supplied)

Further, paragraph 3 of the Partial Judgment By Consent provided that the same ". . . shall not be binding upon defendant Bill G. James unless and until he shall consent to it in writing . . .".

A trial date was set for the remaining justiciable issues of infringement on Thursday, October 23, 1975, which date was specifically selected to accommodate defendant Hattie Carnegie's counsel (Hattie Carnegie Brief, p. 4; A I 87a).

Prior to commencement of the limited trial, the parties proceeded in accordance with the standing Order of District Judge William C. Conner entitled "Preparation Of Cases For Trial" by first meeting in an attempt to arrive at a statement of agreed facts. Thereafter, on October 21, 1975, plaintiffs Capri-Tancer formally complied with this standing Order by filing with the Court Plaintiffs' Proposed Findings Of Fact And Conclusions Of Law, along with underlined proposed findings indicating agreed facts as incorporated in defendant Hattie Carnegie's comparable submission (Index to the Record on Appeal, Documents 4 and 5). Additionally, in compliance with the standing Order, there was also submitted to the District Court on October 21, 1975 a complete extra set of documentary exhibits including the Patent (Px. 1, A II 1-9), the prosecution history of the Patent (Px. 2, A II 9-68), and the prior art NCR Patent No. 3,585,381 cited in the prosecution history of the Patent (Px. 2A, A II 69-75).

Immediately prior to the commencement of the limited trial on October 23, 1975, the District Court conferred separately with plaintiffs' and defendants' counsel with a view to determining if this case could be settled, and the result of such separate conferences was made of record by Judge Conner at the opening of the trial (A I 42a-43a).



The trial below was commenced and completed on October 23, 1975 (A I 42a et seq.); and, at its conclusion, the District Court afforded to counsel for defendant Hattie Carnegie the opportunity to offer “. . . additional evidence bearing on the question of infringement . . .”. Defendant Hattie Carnegie’s counsel stated that he had no additional evidence (A I 96a-97a). Additionally, the District Court gave defendant Hattie Carnegie’s counsel until 9:00 a.m., Tuesday, October 28, 1975 to file a Post-Trial Brief and stated that its decision would be rendered at the end of that day (A I 100a-101a).

### **C. Disposition By The District Court**

In its Opinion, the Court below:

1. Dealt with the remaining issues of infringement which were not disposed of by the October 14, 1975 Partial Judgment By Consent (Index to the Record on Appeal, Document 16) and concluded that the Patent was not infringed by plaintiff Tancer’s THE PERSONALITY RING or plaintiff Capri’s TATTLETALE RING (Opinion 26, A I 34a);
2. Enjoined Hattie Carnegie from charging or representing that the Patent was infringed by those rings “. . . and other products of Tancer and Capri similarly constructed.” (Opinion 27, A I 34a); and,
3. Retained “. . . jurisdiction of the action for the purposes of determining plaintiffs’ claims for damages, costs and counsel fees.” (Opinion 28, A I 34a).

### III. Statement of Facts Relevant to the Issues Presented for Review

#### A. Acts Of Defendant Hattie Carnegie And The Patentee James Relevant To The Court's Exercise Of Discretion In Allowing This Declaratory Judgment Action To Proceed

Commencing prior to September 19, 1975, defendant Hattie Carnegie held itself out as being authorized to preclude alleged infringement of the Patent, with the consent or acquiescence of the patentee James, as follows:

1. On September 19, 1975, defendant Hattie Carnegie placed a notice in *Women's Wear Daily* directed to all retailers, wholesalers, jobbers, manufacturers and distributors stating, in pertinent part (Px. 3A, A II 76):

" . . . We will rigorously defend our rights under this license, both *individually* and in consort with the licensor. *Immediate, severe legal action will be taken against any retailer, wholesaler or manufacturer who may infringe on this federal patent.*" (emphasis supplied to "individually" only).

Prior to the appearance of this trade advertisement, plaintiff Tancer had been engaged in selling THE PERSONALITY RING (A I 72a); and the effect of this trade notice " . . . was very bad." and " . . . the day that that ad ran we began to get calls from every buying office and many of our leading customers asking us what was our position in the matter and what we were going to do about it, because they were very reluctant to market a product that had a possible cloud of violating some existing patent . . ." (A I 73a).

2. On September 29, 1975, defendant Hattie Carnegie individually (as stated in the trade notice) confirmed



its prior charge of infringement of the Patent against Gimbel Brothers, Inc. and, through its present counsel, stated (Px. 4A, A II 78-9):

"We demand your written assurance by tomorrow, Tuesday, September 30, 1975, that you will cease all sale and distribution of the 'personality ring' now being sold by you. If such written assurance is not forthcoming, we shall take prompt and stringent action to protect our client's valuable rights."

3. On October 2, 1975, defendant Hattie Carnegie, along with the patentee James, sued Gimbel Brothers, Inc. for infringement of the Patent (Px. 13, A II 91-5). The Gimbel's Complaint describes the relationship\* between defendant Hattie Carnegie and the patentee James as follows (Px. 13, par. 5, A II 92):

"Plaintiffs Bill G. James and Hattie Carnegie Jewelry Enterprises Ltd. have executed an Agreement, dated September 1, 1975, whereby plaintiff Bill G. James licensed Hattie Carnegie Jewelry Enterprises Ltd. to make or have made for it items of heat sensitive jewelry embodying the invention claimed in the aforesaid Patent No. 3,802,945."

Additionally, the Complaint against Gimbel's affirms that defendant Hattie Carnegie gave notice to the trade in general on September 19, 1975 of the Patent (Gimbel's Complaint, par. 6); that defendant Hattie Carnegie gave oral notice to a jewelry buyer for Gimbel's prior to September 19, 1975 of the Patent (Gimbel's Complaint, par. 7); and, that defendant Hattie Carnegie gave notice by a telegram and letter charging Gimbel's with infringement of the Patent (Gimbel's Complaint, pars. 11 and 13).

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\* There is no evidence in the Record to support the claim by defendant Hattie Carnegie that it is "... a non-exclusive licensee under the James patent ..." (Hattie Carnegie Brief, p. 8).

4. The Gimbel's action was reported in *Women's Wear Daily* on October 3, 1975 (Px. 3D, A II 77; A I 74a). Michael Tancer, president of plaintiff Tancer (A I 72a) saw the October 3, 1975 *Women's Wear Daily* article and testified that it "... had a very bad effect, because the customers up to this particular point were just hearing a lot of talk in the market, this was seemingly the first concrete move on the part of the defendant Hattie Carnegie to so-call protect some existing rights that he claimed he had." (A I 74a).

5. Immediately following and as a direct result of the appearance of the October 3, 1975 *Women's Wear Daily* article, plaintiff Tancer was advised by a senior vice-president of Macy's (an important customer of plaintiff Tancer) that Macy's would not sell THE PERSONALITY RING and would recall an advertisement that was scheduled to run on Sunday, October 5, 1975 unless Macy's was indemnified by plaintiff Tancer (A I 74a-75a). Therefore, on October 3, 1975, plaintiff Tancer indemnified R. H. Macy & Co., Inc. for any claims of patent infringement arising out of the sale of THE PERSONALITY RING (Px. 4B, A II 80; A I 75a).

6. Previously, on September 25, 1975 and after defendant Hattie Carnegie's trade notice (Px. 3A), plaintiff Tancer had obtained an opinion that THE PERSONALITY RING which was being manufactured for it by Circle Jewelry Products, Inc. did not infringe the Patent (Px. 11, A II 87-9). This September 25, 1975 opinion (Px. 11) was released to defendant Hattie Carnegie's counsel on October 6, 1975 (Px. 12, A II 90) because, as Mr. Tancer put it, he "... wanted to be sure that the opposing side, the Hattie Carnegie firm and their lawyers, knew exactly what I knew, because if there was no issue then I really wanted to stop being harassed." (A I 76a).

7. When no response was forthcoming from defendant Hattie Carnegie and its lawyers, this action was commenced on October 8, 1975. In this action, as in the Gimbel's action (see A II 95), defendant Hattie Carnegie and the patentee James are represented by the very same counsel, which counsel filed an Answer on behalf of both defendant Hattie Carnegie and the patentee James on October 29, 1975 (Index to the Record on Appeal, Document 7).

8. Specifically, as to patentee James, this action preserves both his choice of forum and of counsel, as evidenced by the Gimbel's Complaint (Px. 13, A II 91-5). Further, during the course of this action, the patentee James was consulted both with respect to dropping the charge of infringement against plaintiff Capri's Style No. 649R and the maintaining of the charge of infringement against both THE PERSONALITY RING and the TATTLETALE RING (Opinion 7; A I 23a).

9. The color-change ring charged by defendant Hattie Carnegie and the patentee James to infringe the Patent in the Gimbel's action which they commenced on October 2, 1975 (Px. 13, A II 91-5) is identical to plaintiff Tancer's THE PERSONALITY RING which was charged to be an infringement of the Patent after defendant Hattie Carnegie consulted with the patentee James. This fact was established conclusively by the trial testimony of Joel Kroin, General Manager of Circle Jewelry Products, Inc.\* (A I 48a et seq.). Specifically, Mr. Kroin testified that he was familiar with the construction of plaintiff Tancer's THE PERSONALITY RING (as exemplified by Px. 5) and the Gimbel's ring (as exemplified by Px. 6), as well as

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\* This color-change ring as manufactured by Circle for plaintiff Tancer was the subject of the September 25, 1975 opinion of non-infringement which was given to defendant Hattie Carnegie prior to the commencement of this action (see sub-paragraph 6, *supra*).

the procedures employed for their manufacture (A I 49a). In response to questions put to him by the District Court, Mr. Kroin testified that these two rings are indistinguishable, are absolutely identical in manufacture and are manufactured on the same production lines (A I 57a).

**B. The Undisputed Facts Relative To The District Court's Finding Of Non-Infringement And Of A Classic Case Of File Wrapper Estoppel**

Defendant Hattie Carnegie, in its "Statement of Case" (Hattie Carnegie Brief, pp. 2-6), has failed to supply this Court with any facts in support of its assertion that the District Court erred in finding that plaintiff Tancer's THE PERSONALITY RING and plaintiff Capri's TATTLETALE RING did not infringe Claim 1 of the Patent. Further, it has failed to point out wherein the District Court's succinct and incisive findings as to the Patent (Opinion 9-14, A I 23a-27a); the construction of THE PERSONALITY RING sold by plaintiff Tancer (Opinion 17, A I 27a-29a); the construction of THE TATTLETALE RING sold by plaintiff Capri (Opinion 18, A I 29a-30a); and the inapplicability of Claims 1 and 3 of the Patent to such rings (Opinion 19-25, A I 30a-34a) are clearly erroneous and not based on the trial record. It cannot do so because such findings are based solely on irrefutable documentary and trial evidence which includes the Patent (Px. 1, A II 1-8); the file wrapper history of the Patent (Px. 2, A II 9-68); the prior art Hodson patent (Px. 2A, A II 69-75); and the construction of the charged infringement (Opinion 17-18, A I 27a-30a). In view of defendant Hattie Carnegie's baseless\* "due process" argument (Hattie Carnegie's Brief,

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\* It is most charitable to characterize the "due process" argument as baseless in that there is absolutely no factual foundation in the Record (see Section V C, *infra*); and, conspicuously absent in the Hattie Carnegie Brief (at pp. 24-6), is any citation of law in support of its alleged denial of due process.



pp. 24-26), this Court might wish to independently review the facts which cannot be in dispute and lay the solid foundation for the District Court's finding of non-infringement and a classic case of file wrapper estoppel. These facts are briefly summarized as follows:

1. Although the Patent includes nine (9) figures of drawings and seven (7) claims, the District Court found that ". . . Only the embodiments shown in Figures 2 and 3 of the Patent claimed in Claims 1 and 3 are relevant to the charges of infringement against plaintiffs." (Opinion 9, A I 23a-24a).
2. Having identified the only potentially relevant embodiments and claims of the Patent, the District Court incorporated in its Opinion the drawings of Figures 2 and 3 and the corresponding verbatim descriptions thereof from the specification of the Patent (Opinion 10-13, A I 24a-26a).
3. The District Court then made a finding with respect to the ". . . sole difference between these two embodiments . . .", to wit, ". . . that in the FIG. 2 embodiment, the *encapsulated crystalline liquid droplets 16* (in the form of one or more layers) *are supported on a suitable substrate 17 in the recess 12 formed in the transparent body 9*, whereas in the FIG. 3 embodiment, the *crystalline liquid material 16*, which may be purchased in the form of a commercially available liquid slurry, *is deposited in the recess 12 formed in the transparent body 9*." (Opinion 14, A I 27a) (emphasis supplied).
4. The Court then found that Claim 1 of the Patent was readable or (or sub-generic to) the FIG. 2 and FIG. 3 embodiments ". . . since it does not specify whether the separately encapsulated droplets of crystalline liquid are disposed on a self-supporting film or substrate in the recess 12 (as shown in FIG. 2) or are

deposited in liquid form in the recess 12 (as shown in FIG. 3). . . ." (Opinion 15, A I 27a; Footnote 1, A I 35a).

5. The Court then found that Claim 3 of the Patent, which is set forth in Footnote 2 (A I 36a), was only readable on the embodiment of FIG. 2 because of the specific recitation in Clause (c) (Opinion 16, A I 27a; Footnote 2, A I 36a).

6. In Opinion 15 and 16 and Footnotes 1 and 2, the District Court made it crystal clear as to how each successive clause of both Claims 1 and 3 read upon the corresponding elements appearing in FIGS. 2 and 3 of the Patent.\*

7. In Opinion 17 (A I 27a-29a), the District Court, based upon the testimony of the General Manager of Circle Jewelry (who was responsible for the manufacture of plaintiff Tancer's THE PERSONALITY RING and the identical ring being sold by Gimbel's), made its factual findings as to the construction of THE PERSONALTY RING being sold by plaintiff Tancer (A I 48a-59a). There was absolutely nothing in the cross-examination of this witness (A I 59a-65a) which in any way conflicts with these findings.

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\* In making the factual findings of Opinion 9 to 16 inclusive, the District Court was laying the foundation to follow the mandate of 35 U.S.C. 112 which, in pertinent part, reads:

"The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention. A claim may be written in independent or dependent form, and if in dependent form, it shall be construed to include all the limitations of the claim incorporated by reference into the dependent claim.

"An element in a claim for a combination may be expressed as a means . . . without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

8. Similarly, in Opinion 18 (A I 29a-30a), the Court made the necessary findings as to the construction of the TATTLETALE RING being sold by plaintiff Capri. Again, such findings were based upon uncontradicted trial testimony.

9. Then, the District Court found three separate bases upon which it premised its ultimate finding that neither Claims 1 nor 3 of the Patent were infringed by plaintiff Tancer's THE PERSONALITY RING and plaintiff Capri's TATTLETALE RING, as follows (Opinion 19-20, A I 30a-31a):

*Basis 1:* Clause (c) of both Claims 1 and 3 of the Patent specifically calls for "... said transparent body being generally flat and having a peripheral flange defining a recess within said body, ...". Since the stone in each of these two rings had a "... substantially flat back ..." (Opinion 17a, 18a), it followed that: "... Neither THE PERSONALITY RING being sold by plaintiff Tancer nor the TATTLETALE RING being sold by plaintiff Capri includes " \* \* \* a peripheral flange defining a recess \* \* \* ". (Opinion 19, A I 30a).

*Basis 2:* Each of Claims 1 and 3 of the Patent includes the recitation of the "... encapsulated droplets of crystalline liquid being deposited within said recess ...". Absent a recess in either of these rings, the District Court found: "... Therefore, it follows that neither ring includes " \* \* \* encapsulated droplets of crystalline liquid being deposited within said recess \* \* \* ". (Opinion 19, A I 30a).

*Basis 3:* In Clause (d) of Claim 1 of the Patent, there is a recitation of "... means for sealing said recess ...", while in Claim 3, there is a corresponding recitation in Clause (d) of "... means superimposed over the film ... to support said film



and seal said recess." Therefore, the District Court found that: "... Since neither THE PERSONALITY RING sold by Tancer, nor the TATTLETALE RING sold by Capri incorporates a recess, it likewise follows that there are no '\* \* \* means for sealing said recess \* \* \*'." (Opinion 20, A I 30a-31a).

In sum, and as is plainly apparent from a reading of Claims 1 and 3 of the Patent and from a consideration of the construction of the charged infringements, a ring stone (i.e., transparent body) which has a flat back and does not have a peripheral flange cannot have *a recess*, cannot have encapsulated droplets of crystalline liquid *deposited within said recess* and cannot have *means for sealing said recess*. Any one of these bases would have been adequate for a finding of non-infringement; and, cumulatively, they are overwhelmingly dispositive of this spurious charge of infringement.

10. Finally, in Opinion 21-22, the Court summed up defendant Hattie Carnegie's specious and nitpicking assertion of infringement which was literally based upon microscopic examination of the charged infringements, utilizing photomicrographs (Dx. A-C, A II 97-106; A I 88a-89a) and infrared spectroscopy (Dx. E-F, A II 107-8; A I 91a et seq.), and then went on to analyze the prosecution history (Opinion 23, A I 31a-33a) and the prior art NCR patent (Opinion 24, A I 33a) and concluded that the "... patentee James may not recapture, by resort to the doctrine of equivalents, claim coverage which he was forced to surrender by amendment in order to overcome the rejection of his application as unpatentable over the prior art. . . ." (Opinion 25, A I 33a, 34a).

Thus, step by step and meticulously, the District Court made all the appropriate factual findings not only to reach



its three-fold conclusion of non-infringement, but also to deal with and dispose of the assertion that defendant Hattie Carnegie was entitled to rely upon the doctrine of equivalents, which assertion was classically precluded by virtue of the file wrapper estoppel created during the prosecution of the application which resulted in the Patent.

**C. There Is No Factual Basis For Defendant Hattie Carnegie's Assertion That There Has Been A Denial Of Due Process**

In the main, defendant Hattie Carnegie's recitation (under the heading of "Facts" in Hattie Carnegie Brief, pp. 3-6) as to what allegedly was said during the course of the Hearings held on October 9 and 10, 1975 (described at p. 3) and the settlement discussions between the District Court and defendant's counsel (as described at p. 5) find no factual support in the Record.\*

With respect to the specific representations as to what occurred when ". . . the Court called Carnegie's counsel into chambers . . ." after ". . . the Court called plaintiffs' counsel into chambers . . ." (Hattie Carnegie Brief, p. 5), and within minutes of those separate conferences, the Court said, at the start of the limited trial (A I 42a):

"I might say for the record that I have spoken to counsel both separately in an effort to try to resolve the matter amicably, and since I spoke to Mr. Amster first I might report to him that the defendants' counsel say that their client is probably unreachable by telephone so they can't get any definite indication as to whether the case can be settled this morning."

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\* To the extent that there is a record of the proceedings below, these are summarized in Section IIB of this Brief and are annotated to the Record and the District Court's Opinion.

Plaintiffs Capri-Tancer's counsel then said (A I 43a):

"I want to thank the Court for its efforts to settle this case and, under the circumstances, we will try to be exceedingly brief in our presentation."

Defendant Hattie Cargenie's counsel said nothing.\*

#### IV. Argument

##### A. The District Court Properly Assumed Jurisdiction

##### 1. Defendant Hattie Carnegie Is Estopped From Asserting That The Patentee James Is An Indispensable Party To This Action

Defendant Hattie Carnegie asserts that the patentee James is an indispensable party to this action "... in [these] circumstances and must be joined in the action." Hattie Carnegie Brief, p. 8). Yet, it is precisely the "circumstances" brought about by defendant Hattie Carnegie's trade campaign prior to the commencement of this action that estops defendant Hattie Carnegie from making this assertion. Further, there is no evidence that defendant Hattie Carnegie is a "non-exclusive licensee under the James patent . . ." (Hattie Carnegie Brief, p. 8); and the only evidence of record is to the contrary (see Section II A, *supra*).

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\* Later in the Trial Transcript, defendant Hattie Carnegie's counsel stated that he wanted "... to preserve any position I might have with respect to due process because of the expedited nature of the proceedings." (A I 45a). Still later in the Trial Transcript, this position was again preserved, with the District Court noting that the limited trial had been put off for an additional week to accommodate defendant's counsel (A I 87a). As to the expedited nature of the proceedings and the delayed setting of the date for the limited trial, we note that when defendant Hattie Carnegie's counsel filed the Gimbel's Complaint on October 2, 1975 (involving the identical ring construction), it certified that "... there was good ground to support it . . ." (Rule 11, F.R.C.P.) and it should have been ready thereafter to defend such charge of infringement before the Southern District Court.

Defendant Hattie Carnegie cites a group of cases allegedly supportive of its position, but fails to cite *A. L. Smith Iron Co. v. Dickson*, 141 F.2d 3 (2d Cir. 1944), which, although decided some thirty-two (32) years ago, remains the law in this Circuit\* and provides four-square authority that defendant Hattie Carnegie is estopped to complain that the patentee James has not yet been served as a party defendant.

In *A. L. Smith, supra*, defendant Dickson was granted a patent license from a British company to manufacture hatch covers and associated bands. The license prohibited Dickson from granting sublicenses without consent, but Dickson violated this provision. Some time later, Dickson learned that the declaratory judgment plaintiff A. L. Smith was selling bands which Dickson considered to be an infringement of the British company's patent. Dickson wrote to A. L. Smith informing them of the existence of the patent and indicating that he had the British patent owner's "... instructions that his patent is to be protected at any cost" (quoted at p. 4). In a subsequent letter, Dickson also stated that all of A.L. Smith's customers were, by virtue of their purchases from A.L. Smith, infringing the patent and that they were "... going to get into trouble when they use them" (at p. 5).

A. L. Smith then filed its declaratory judgment action and the District Court granted defendant's motion to dismiss on the grounds that the British patent owner had not been made a party to the lawsuit, relying on *Contracting Division, A. C. Horn Corp. v. New York Life Insurance Co.*, 113 F.2d 864 (2d Cir. 1940), and essentially adopting the position being urged upon this Court by defendant Hattie Carnegie. This Court reversed. After finding that Dickson was "a mere licensee" (at p. 5) and that Dickson could not

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\* The doctrine of this case has been approved in other Circuits as well. See *Catanzaro v. I.T.&T.*, 378 F. Supp. 203 (D. Del. 1974); and *Owatonna Mfg. Co. v. Melroe Co.*, 301 F. Supp. 1296 (D. Minn. 1969).



have sued upon the British company's patent in his own name, this Court looked to the actions of Dickson prior to the commencement of the declaratory judgment action and determined that Dickson could not raise this defense. The Court noted that in Dickson's first letter to A. L. Smith, Dickson had asserted that he had the patent owner's instructions that the patent was to be "protected at any cost" (at p. 4); and, Dickson's subsequent letter to A. L. Smith clearly threatened its customers with an infringement suit (at p. 4). The Court concluded that these actions constituted "a direct attack upon [plaintiff's] business" (at p. 5), and that whether or not Dickson had the right to bring suit in his own right, "he meant the plaintiff to understand that he had such a power, and that he proposed to use it" (at p. 5).

In determining the propriety of the maintenance of the *A. L. Smith* action, the Second Circuit looked to the consequences as to all the parties. As to the British patent owner, the Court noted that it was not bound by the judgment and could at any time sue A. L. Smith's customers; and, in addition, the British patent owner could directly protect its interest in its patent by intervening in the instant suit. Also, the Court considered the interest of the British patent owner in its choice of forum and the time when it would assert its rights (at p. 6). It was held that depriving the patent owner of these choices would not outweigh the injury to A. L. Smith resulting from a dismissal of its action "... for it would be obviously unfair to leave [plaintiff's] business exposed to continuous indirect attack, merely to preserve the [patentee's] choice of forum ... " (at p. 6).

The parallels between the activities of defendant Dickson and defendant Hattie Carnegie are striking. In *A. L. Smith, supra*, Dickson made clear, through its letters, that he intended to enforce the British company's patent against A. L. Smith and its customers. Here, defendant

Hattie Carnegie threatened the entire costume jewelry industry by its notice in *Women's Wear Daily* of September 19, 1975 in which defendant Hattie Carnegie stated (Px. 3A, A II 76):

*"Immediate, severe legal action will be taken against any retailer, wholesaler or manufacturer who may infringe on this federal patent."* (emphasis in original)

Also, defendant Hattie Carnegie had charged leading retailers with infringement and has threatened suits against them (see Section II A, *supra*).

Finally, only six (6) days prior to the commencement of this lawsuit, the patentee James joined with defendant Hattie Carnegie in suing Gimbel Brothers on this very same patent in the Southern District of New York, charging a construction identical to that sold by plaintiff Tancer with infringement and employing the same law firm which here represents defendant Hattie Carnegie (Px. 13, A II 91 et seq.). Thus, this Court, in applying the estoppel doctrine which it enunciated in *A. L. Smith, supra*, is even able to preserve the patentee James' choice of forum and counsel.

The rationale of *A. L. Smith, supra*, was reaffirmed by this Circuit in *Helene Curtis Industries v. Sales Affiliates, Inc.*, 199 F.2d 732 (2d Cir. 1952). In this declaratory judgment action, the District Court enjoined the defendant from prosecuting substantially identical lawsuits in Texas so that the complex patent litigation could be concentrated in New York. The lower Court discovered only one obstacle to the determination of patent validity in New York—the fact that the defendant, the prime mover in the other litigations, had taken the patent out in the name of its affiliate which was subject to the service of process in Texas, but not in New York. The Second Circuit noted that, under the agreement between defendant and its affiliate, defendant retained the right to conduct

Patent Office proceedings, to grant licenses and to bring and defend suits at its own expense and take proceeds therefrom (at p. 733). In affirming the holding below that defendant's affiliate, the record owner of the patent, was not indispensable, the Second Circuit stated (at p. 733):

" . . . We agree with the district judge that the record owner is not 'indispensable,' but that defendant controls and represents it for all practical purposes here." Citing *A. L. Smith, supra*.

Here, for purposes of bringing suit, otherwise enforcing the Patent, and informing the trade as to the nature and scope of the Patent, defendant Hattie Carnegie "controls and represents" patentee James " . . . for all practical purposes . . .".

In subsequent litigation between the parties in *Helene Curtis, supra*, the principle that " . . . the presence of the record owner of the patent is not always indispensable to a decree of its invalidity . . ." was reaffirmed. *Helene Curtis Industries, Inc. v. Sales Affiliates, Inc.*, 247 F.2d 940, 946 (2d Cir. 1957).

A survey of potentially relevant precedents reveals the following pattern. In each and every case that was dismissed for failure to join the absent patentee (1) there had not been any assertion of patent enforcement rights by the licensee-defendant and/or (2) there existed another forum in which all parties were amenable to process. For example, in *Technical Tape Corp. v. Minnesota Mining and Mfg. Co.*, 135 F. Supp. 505 (S.D.N.Y. 1955), the District Court granted defendant's motion to dismiss a patent declaratory judgment action where the defendant was an exclusive licensee (at p. 506). After extensive discussions of the underlying license agreement, the Southern District Court noted that the absent patentee was amenable to process in Illinois, plaintiff and defendant-licensee were

also doing business and could be found in Illinois, and there was an already-existing lawsuit brought by the absent patentee against the declaratory judgment plaintiff in the Illinois District Court. In dismissing, the Court distinguished *A. L. Smith, supra*, by saying (at p. 508):

" . . . We are not confronted with a situation as in *A. L. Smith Iron Co. v. Dickson, supra*, where failure to permit Technical to sue Minnesota without [the patentee] would deny it the right to bring suit and leave Technical to be sued as, when, and where [the patentee] might choose."

Conspicuously absent from the Court's decision was any reference to any assertion of the patent by the defendant-licensee. Thus, *Technical Tape, supra*, is readily distinguishable since:

- a. Defendant Hattie Carnegie has vigorously enforced and held itself out as able to enforce the Patent; and,
- b. There is no forum where both the patentee James and defendant Hattie Carnegie may be sued and, thus, a dismissal of this action would leave defendant Hattie Carnegie to the mercy of the patentee James and defendant Hattie Carnegie and leave it ". . . to be sued as, when, and where [the patentee] might choose." (at p. 508).

In further illustration of the foregoing, in *Caldwell Manufacturing Co. v. Unique Balance Co.*, 18 F.R.D. 258 (S.D.N.Y. 1955), the Southern District Court granted defendant's motion to dismiss for want of an indispensable party; but it did so only after distinguishing *A. L. Smith, supra*. After an extensive discussion of the facts of *A. L. Smith, supra* (at pp. 262-4), the District Court noted that even though the licensee Dickson in *A. L. Smith, supra*, could not bring suit on his own behalf, he had represented to A. L. Smith that he possessed the power to do so. Thus



(at p. 262):

" . . . a species of estoppel was invoked against the licensee."

After discussing the balance of equities favoring, in *A. L. Smith, supra*, the right of the plaintiff to maintain the action versus the right of the patentee to choose his own forum, the Court in *Caldwell, supra*, articulated the crucial missing element (at p. 264):

"Estoppel may not be employed against defendant-licensee herein, as it was invoked in the Dickson case. Defendant's affidavit categorically denies having made any representation to plaintiff that it has the sole right to enforce the patent against alleged infringers."

In *Sweetwater Rug Corp. v. J & C Bedspread Co., Inc.*, 198 F. Supp. 941 (S.D.N.Y. 1961), *aff'd*, 299 F.2d 573 (2d Cir. 1962),\* defendant-licensee's motion to dismiss for lack of an indispensable party was granted because the only assertion of the patent against the declaratory judgment plaintiff had been by the patentee himself, albeit written on the defendant-licensee's stationery. These notice letters called the attention of the plaintiff to the existence of the patent and enclosed a copy thereof. As the Court pointed out (at p. 946):

" . . . The rights asserted in the letters were clearly those of the patentee. The patent is referred to as 'my patent,' the lawyers are referred to as 'my lawyers,' and the rights are referred to as 'my rights.' The peculiar fact background of the Dickson case is not present here."

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\* This precedent is relied upon by defendant Hattie Carnegie (Hattie Carnegie Brief, p. 8), but no attempt is made to deal with *A. L. Smith, supra*, which was distinguished over by the late District Judge Herlands.



Finally, defendant Hattie Carnegie's reliance upon *Contracting Division, supra*, likewise fails to take into account the undisputed facts. In *Contracting Division, supra*, distinguished by this Court in *A. L. Smith, supra* (at p. 6), plaintiff commenced an infringement action, claiming to be owner of a patent. Thereafter, plaintiff discovered, to its surprise, that it had mistakenly assigned the patent to its parent corporation and taken back only a non-exclusive license. When it discovered its mistake, it continued to press on with the suit, but under a theory that it and its parent were really one corporate entity. This Court found that they were not and, as the patent owner was not a party, the Court dismissed defendant's declaratory judgment counterclaim. The controlling distinction was pointed out by this Court in *A. L. Smith, supra*, as follows (at pp. 6-7):

" . . . plaintiff [in *Contracting Division*] had never claimed the right to sue as licensee, but only as owner; and so, as soon as we had decided that it was not an owner, all controversy between it and the infringer necessarily ended. . . . Such a controversy remains undecided here, because, unlike the plaintiff in *Contracting Division* . . . Dickson persists in his claim to assert the patent as licensee (and apparently also by virtue of some added authority to act for the Cocks company), and in that role threatens the plaintiff's customers."

Thus, the *sine qua non* of an *A. L. Smith*-type estoppel is the assertion of the patent by the declaratory judgment defendant "as a licensee" and the threat that such assertion poses to the declaratory judgment plaintiff and its customers. Since these essential prerequisites are present in the instant case, there is a clear estoppel and this Court should affirm the District Court's exercise of discretion in allowing plaintiff Capri-Tancer to proceed in the absence of the patentee James.

## 2. The District Court Properly Applied The Equity And Good Conscience Test Of Rule 19(b), F.R.C.P.

*A. L. Smith*, *supra*, and the cases following it, were decided prior to the 1966 amendment to Rule 19(b) of the Federal Rules of Civil Procedure\* which ushered in the modern approach to the doctrine of indispensability.

In *Provident Tradesmens Bank & Trust Co. v. Patterson*, 390 U.S. 102 (1968), the United States Supreme Court has interpreted this rule of indispensability as requiring an analysis of the specific facts of the particular case, not a mere reference to titles such as "assignee", "licensee", etc., stating (at p. 119):

"... Rule 19 does not prevent the assertion of compelling substantive interests; it merely commands the courts to examine each controversy to make certain that the interests really exist. To say that a court 'must' dismiss in the absence of an indispensable party and that it 'cannot proceed' without him puts the matter in the wrong way around: a court does not know whether a particular person is 'indispensable' until it has examined the situation to determine whether it can proceed without him."

Rule 19 enumerates the following factors which, when applied herein, make it clear that the District Court did

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\* Rule 19(b) provides: "If a person as described in subdivision (a) (1)-(2) hereof cannot be made a party, the court shall determine whether in equity and good conscience the action should proceed among the parties before it, or should be dismissed, the absent person being thus regarded as indispensable. The factors to be considered by the court include: first, to what extent a judgment rendered in the person's absence might be prejudicial to him or those already parties; second, the extent to which, by protective provisions in the judgment, by the shaping of relief, or other measures, the prejudice can be lessened or avoided; third, whether a judgment rendered in the person's absence will be adequate; fourth, whether the plaintiff will have an adequate remedy if the action is dismissed for nonjoinder."

not abuse its discretion in permitting this action to proceed without the patentee James:

a. *To what extent a judgment rendered in the person's absence might be prejudicial to him or those already parties.* Allowing this action to proceed creates no prejudice to patentee James because he was, in the first instance, consulted on whether or not to assert the Patent against any or all of the accused ring constructions (Opinion 7, A I 23a). In addition, the injunction entered by the District Court (Opinion 27, A I 34a) runs only against defendant Hattie Carnegie—not against patentee James. Further, the choice of forum and counsel is consistent with those made by the patentee James within days of the commencement of this action (Px. 13, A II 91 et seq.). For a case articulating the importance of this factor (i.e., commencement of suit in the same forum), see *Catanzara v. I.T.&T.*, *supra*, at 378 F. Supp. 206. Finally, no determination has been, or will be, made as to the validity of the Patent, since the District Court specifically limited its trial inquiry to the infringement issue and there is no need to deal with validity hereafter (Opinion 28, A I 34a). Therefore, on this factor, the balance of equities clearly lies with plaintiffs Capri-Tancer.

b. *The extent to which, by protective provisions in the judgment, by the shaping of relief, or other measures, the prejudice can be lessened or avoided.* The relief granted plaintiffs Capri-Tancer includes an injunction running against defendant Hattie Carnegie and a final determination as between these parties that plaintiffs' rings do not infringe the Patent.\* The judgment, having silenced defendant Hattie Carnegie and laid to rest

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\* The judgment of non-infringement is not binding on the patentee James and, should he desire, he could bring suit again on the Patent against the same exact ring constructions and not be bound by this Court's prior determination.



its spurious industry-wide charge of infringement, is adequate for plaintiffs Capri-Tancer who now have absolutely no on-going interest in adjudicating the validity of the Patent. As to the remaining counts for unfair competition and false patent marking, these charges are directed only against defendant Hattie Carnegie and do not require the presence of the patentee James, nor in any way influence his interests, and thus the Court below properly retained jurisdiction for this limited purpose (Opinion 28, A I 34a).

c. *Whether a judgment rendered in a person's absence will be adequate.* As to the adjudicated portions of plaintiffs' Complaint, the relief awarded by the District Court was wholly adequate and plaintiffs Capri-Tancer have no on-going controversy with the patentee James.

d. *Whether plaintiffs will have an adequate remedy if the action is dismissed for nonjoinder.* If this action is dismissed, the situation sought to be avoided by this Court in *A. L. Smith, supra*, will come into being; that is, plaintiffs Capri-Tancer will lack an adequate remedy and will be at the mercy of the patentee James, since he resides in California and defendant Hattie Carnegie may be found only in New York. Thus, plaintiffs Capri-Tancer will be left without a forum in which they can sue both the "indispensable" party and the party making the threat and charging them with infringement. Compare *Helene Curtis, supra*, with *Technical Tape, supra*. Thus, on this factor alone, the Court should uphold the District Court's discretion in allowing this action to proceed in the absence of the patentee James. *Owatonna Mfg. Co., Inc. v. Melroe Co., supra*, at 301 F. Supp. 1306.

Applying the "equity and good conscience" test of Rule 19(b), this Court should uphold the District Court's dis-



cretionary determination that it was proper for this action to proceed within the boundaries delineated below in the absence of the patentee James.

**B. The District Court Correctly Found That There Was No Infringement**

**1. The District Court's Finding Of Non-Infringement Should Not Be Overturned Unless Clearly Erroneous**

The clearly erroneous standard of Rule 52(a), F.R.C.P.\* is applicable to review of the District Court's findings of fact as to non-infringement of the Patent. See *Artvale, Inc. v. Rugby Fabrics Corp.*, 363 F.2d 1002 (2d Cir. 1966).

Defendant Hattie Carnegie, in its Proposed Findings Of Fact And Conclusions Of Law, trial evidence and Post-Trial Brief, had ample opportunity to press on the District Court its contentions that: Claim 1 was literally infringed by the rings of plaintiffs Capri-Tancer; and, in the absence of literal infringement, the doctrine of equivalents operated to support a finding of infringement. These contentions were rejected by the District Court which had the opportunity to see and hear the parties and witnesses (Opinion 17, 18, A I 27a et seq.) after first having the opportunity to read the Patent, study its prosecution history, and review the highly relevant prior art NCR patent (Index to the Record on Appeal, Documents 4 and 5).

Specifically, as to the applicability of the clearly erroneous standard to the doctrine of equivalents, this Court, in *Triax Company v. Hartman Metal Fabricators, Inc.*, 479 F.2d 951 (2d Cir. 1973), *cert. denied*, 414 U.S. 1113 (1973), affirmed the trial Court's finding of infringement, applying

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\* F.R.C.P. 52(a) provides, in relevant part: Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial Court to judge of the credibility of the witnesses.

the standard of Rule 52, F.R.C.P. to that doctrine (at p. 958):

“ . . . Furthermore, a factual finding by the lower court that a particular device is or is not equivalent to another device is not to be disturbed by appellate judges unless that finding is clearly unsupported by the trial record (citations omitted).”

The applicability of “clearly erroneous” standard to the doctrine of equivalents is founded in *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605 (1949) (cited in both *Art Vale* and *Triax, supra*), which is the primary Supreme Court authority on the aspect of the law of infringement relating to this doctrine. In *Graver Tank, supra*, the Supreme Court was called upon to review the District Court’s finding that the accused devices were the equivalents of the constructions recited in the patent claims and, in affirming, held (at pp. 609-10):

“A finding of equivalence is a determination of fact. Proof can be made in any form: through testimony of experts or others versed in the technology; by documents, including texts and treatises; and, of course, by the disclosures of the prior art. Like any other issue of fact, final determination requires a balancing of credibility, persuasiveness and weight of evidence. It is to be decided by the trial court and that court’s decision, under general principles of appellate review, should not be disturbed unless clearly erroneous.”

Similarly, the question of whether the doctrine of file wrapper estoppel applies to a particular case depends on a factual analysis of what happened before the United States Patent Office. *Sherman Car Wash Equipment Co. v. Grand Car Wash, Inc.*, 429 F.2d 1363 (7th Cir. 1970). Thus, this factual determination is also subject to the “clearly erroneous standard” of Rule 52(a).

## 2. The District Court Correctly Found That There Was No Infringement And A Classic Case Of File Wrapper Estoppel

Defendant Hattie Carnegie has constructed its argument (at pp. 10-24) that the District Court erroneously made its holdings of non-infringement and file wrapper estoppel by starting out with a blatant misstatement of the District Court's finding with respect to the scope of Claim 1 of the Patent;<sup>1</sup> by citing cases out of context;<sup>2</sup> by making refer-

<sup>1</sup> In the opening sentence of this argument, the Brief (at p. 10) inaccurately states that "... the Court below erroneously restricted the scope of Claim 1 to one of the specific illustrated constructions ...". At Opinion 15 (A I 27a), the District Court found that "Claim 1 of the Patent, which is set forth in footnote 1, is readable on both the embodiment of Figure 2 and that of Figure 3 ...". Thus, what is "erroneous" is the fundamental premise of defendant Hattie Carnegie's argument to this Court.

<sup>2</sup> In quoting from *Laitram Corp. v. Deepsouth Packing Co., Inc.*, 301 F. Supp. 1037, 1056 (E.D. La. 1969) (*Hattie Carnegie* Brief, p. 11), it certainly would have been more helpful (and indeed more accurate) to include the entire quotation as follows:

"Patent 'claims must be given the broadest interpretation of which they reasonably are susceptible.' *Hydraulic Press Corp. v. Coe*, 1943, 77 U.S. App. D.C. 251, 134 F.2d 49, 56. (footnote omitted). This is 'well settled.' (footnote omitted). But '[t]he rule is [equally well settled] that, in construing the words of a claim where the language is susceptible of more than one construction, the disclosure of the specification must be resorted to to ascertain the proper construction.' In re Phelps, 1931, 47 F.2d 387, 388, 18 CCPA 1036. (footnote omitted). Since 'a patentee is at liberty to supply his own dictionary, the terms of a claim should be taken in the sense given in the lexicon of the specification.' *Jones v. Sykes Metal Lath & Roofing Co.*, 6 Cir., 1918, 254 F. 91, 96."

Further, the quote from *Musher Foundation, Inc. v. Alba Trading Co., Inc.*, 150 F.2d 885, 889 (2d Cir. 1945) (*Hattie Carnegie* Brief, p. 11), when considered in its proper context, requires consideration of the underlying statements of law (at p. 888):

"... As in the case of any other claim, a product claim may, and indeed must, be read upon the specifications: its terms are no more than a shorthand from the fuller explanation which the specifications should contain."



ence to the introductory portion of the specification of the Patent which has nothing to do with the scope of the claims as issued;<sup>3</sup> by ignoring the cancellation of generic application Claim 1 and the issuance only of subgeneric application Claim 6 (as Patent Claim 1) which covers only the embodiment shown in Figs. 2 and 3 of the Patent;<sup>4</sup> by piecemeal analysis of Claim 1 in its Brief, leaving out essential elements, misconstruing others, and failing to deal with clearly stated limitations;<sup>5</sup> and by quoting incompletely the prosecution history of the Patent in support of its assertion that there is no file wrapper estoppel.<sup>6</sup> Rather

<sup>3</sup> Reference to the introductory portion of the specification of the Patent (Hattie Carnegie Brief, pp. 13-14) is in no way informative as to the scope of patent Claim 1 which is only readable upon the embodiments of Figs. 2 and 3 of the Patent (Opinion 15, A I 27a).

<sup>4</sup> After independent application Claim 1 was finally rejected by the United States Patent Office, and dependent application Claim 6 indicated to include allowable subject matter (A II 48-50), application Claim 1 was used only as the parent of dependent Claim 6, both application claims combined issuing as patent Claim 1 (A II 51-2). Defendant Hattie Carnegie structures its entire argument as if application Claim 1 was not finally rejected and thereafter effectively cancelled because of the prior art NCR patent.

<sup>5</sup> Defendant Hattie Carnegie arrives at its piecemeal reconstruction of Claim 1 (at p. 17), starting from its inaccurate statement of the holding below (see Note 1), incompletely stating the law (see Note 2), dealing with portions of the Patent which are not relevant (see Note 3), and ignoring the prosecution history (see Note 4). We therefore submit that this entire analysis should be disregarded and that this Court should place its reliance in the District Court's cogent findings and analysis with respect to Claims 1 and 3 of the Patent (Opinion 9-16, A I 23a-27a and Footnotes 1 and 2, A I 35a-36a).

<sup>6</sup> Defendant Hattie Carnegie seeks to avoid the clear and unequivocal file wrapper estoppel by quoting incompletely both the Court's finding (Opinion 23(c), A I 32a) and ignoring the controlling argument made for the patentability of application Claim 6 (Patent Claim 1) in the prosecution history (A II 39). The completion of the quote on page 22 requires the addition of the words "... *within the body*" (emphasis supplied).



than deal with this progressively porous argument, we will summarize why, based upon facts and law which cannot be in dispute, the findings of the District Court that there was no literal infringement and that there existed a classic case of file wrapper estoppel were correct.

It is fundamental that the claims of the Patent must be read in light of its specification. *Grubman Engineering & Mfg. Co. v. Goldberger*, 47 F.2d 151, 152-3 (2d Cir. 1931); *Carl Braun, Inc. v. Kendall-Lamar Corporation*, 116 F.2d 663, 665 (2d Cir. 1941); *International Latex Corp. v. Warner Brothers Co.*, 276 F.2d 557, 562-3 (2d Cir. 1960); *Decca Limited v. United States*, 420 F.2d 1010, 1013 (Ct. Cl. 1970); and *Kahn v. Dynamics Corporation of America*, 367 F. Supp. 63, 75-4 (S.D.N.Y. 1973), *aff'd*, 508 F.2d 939 (2d Cir. 1975). This is precisely what the District Court did (Opinion 9-16, Footnotes 1 and 2, A I 23a-27a, 35a-36a).

This Court can verify the accuracy of the District Court's finding of non-infringement by considering the clear meaning of the language used and by answering each of the following questions in the negative:

- a. Does the transparent body or ring stone of either of the charged infringements have or possess ". . . a peripheral flange defining a recess within said body . . . "?
- b. In either of the charged infringements, is the crystalline liquid deposited or disposed or placed within the recess in the transparent body or ring stone?
- c. Can the crystalline liquid be sealed within a recess in the transparent body or ring stone when that transparent body or ring stone does not have a recess?

This Court was presented with a somewhat similar question of claim construction and concluded that there was no infringement in *Hazeltine Corporation v. Emery Tele-*

*vision-Radio, Inc.*, 129 F.2d 580 (2d Cir. 1942). The claim limitations in question were summarized as follows (at p. 582):

"Claims 1 and 5 also require that the cabinet or casing be 'disposed about the edge of said diaphragm'; claims 3 and 6 call for an opening in the cabinet wall 'in which said diaphragm is disposed'; and claim 8 calls for a cabinet having an opening in the front wall thereof 'adapted to receive said diaphragm.'"

In construing the foregoing claim limitations, this Court (as did the Court below) first made reference to the patent in suit (and a commercial embodiment thereof known as the Thompson Minuet Receiver), as follows (at p. 582):

". . . The patent drawings and the Minuet receiver show exactly what these quoted phrases mean."

After such reference, this Court went on to say (at p. 582):

". . . The apex of the conical diaphragm extends through a circular aperture in the front wall of the cabinet and a substantial distance beyond the front wall. Thus the cabinet may be described as 'disposed about the edge of said diaphragm' or as having an opening in the front wall 'adapted to receive said diaphragm' or 'in which said diaphragm is disposed.'"

The Court then concluded that there was no infringement, stating (at p. 582):

"But the quoted phrases are not descriptive of the arrangement used in the accused Emerson receivers. In them the apex of the cone points inwardly from the front wall and the base of the cone lies behind the front wall so that the whole of the diaphragm is *within the cabinet*. Hence the requirement of these claims that the cabinet be 'disposed about' the

diaphragm, or have an opening in the front wall 'adapted to receive' it, cannot be found in the Emerson receivers." (emphasis supplied)

Likewise, here, the "recess", "deposited crystalline liquid" and "sealing" limitations of Claim 1 (and of Claim 3) are not descriptive of either plaintiff Tancer's THE PERSONALITY RING or plaintiff Capri's TATTLETALE RING. So much for literal infringement.

As to the District Court's finding of a classic case of file wrapper estoppel, we note that "Defendant Carnegie does not dispute the controlling law but only its applicability in the present case." (Hattie Carnegie Brief, p. 20). In kind, we embrace its citation of *Moore Business Forms, Inc. v. Minnesota Mining & Mfg. Co.*, 521 F.2d 1178 (2d Cir. 1975) (Hattie Carnegie Brief, p. 20) and the three-fold test enunciated therein by this Court (at p. 1184):

"... Of primary importance in such a case are the original claims made by the applicant, the reasons given by the examiner for rejecting such claims, and the narrowing amendments made by the applicant in an attempt to secure approval of the patent."

First, as to the original claims made by the applicant, the District Court found that the only independent claim was application Claim 1 (Opinion 23(a), A I 31a-32a).

Second, the District Court found that original application Claim 1 was finally rejected on the basis of the prior art NCR patent (Opinion 23(d), A I 32a-33a).

Third, the District Court found that in response to the final rejection on the prior art NCR patent, "Application Claim 1 was rewritten to incorporate Clauses (c) and (d) from Claim 6" (Opinion 23(e)(i), A I 33a), which narrowing amendment was made by the applicant to overcome the final rejection.



Finally, applicant only secured the allowance of application Claim 6 (Patent Claim 1) by the following three-fold distinction over the prior art NCR patent (A II 39):

- a. ". . . This claim clearly specifies that applicant's transparent body is provided with a peripheral flange defining a recess within the body."
- b. ". . . Additionally, this claim explicitly specifies that a multiplicity of separately encapsulated droplets of crystalline liquid are deposited within the recess."
- c. ". . . If the foregoing distinctions were insufficient to support patentability, which applicant respectfully submits is *not the case*, then the additional phraseology of Claim 6 certainly raises applicant's structure to the level of patentable invention in view of [the prior art NCR patent]. Specifically, nowhere in [the prior art NCR patent] is there taught a structure which meets the terminology 'means are provided sealing said recess . . .'" (emphasis in original)

Indeed, just as the District Court found that there was a three-fold basis for non-infringement, there is likewise a three-fold basis for the finding of a classic case of file wrapper estoppel.

### **C. Defendant Hattie Carnegie Is Precluded From Making Its Due Process Argument On Appeal**

On appeal, defendant Hattie Carnegie asserts in its Brief (at pp. 3-6 and 24-26) that Judge Conner did not serve as "an impartial non-participant" (at p. 24) and took "precipitous action" (at p. 25). Also, for the first time, defendant Hattie Carnegie claims that Judge Conner made certain prejudicial statements to defendant Hattie Carnegie's counsel during a settlement conference which occurred just prior to the commencement of the trial (at



p. 5). Even putting aside the blatant violation of this Court's Rule 28(1)\* which prohibits the inclusion in a brief of scandalous matter, defendant Hattie Carnegie is precluded from relying on, and this Court should completely disregard, these unfounded charges.

The possibility that a Court Reporter would not be present to record every statement made during the conduct of litigation has been dealt with by Rule 10(c) of the Federal Rules of Appellate Procedure;\*\* and its well-settled law that failure to comply with the provisions of Rule 10(c) precludes a party from relying on such off-the-record statements.

In *Century Indemnity Co. v. Arnold*, 153 F.2d 531 (2d Cir. 1946), plaintiff insurance company brought suit to recover damages for personal injuries sustained by a workman on defendants' premises. The jury returned a verdict in favor of defendants and a judgment was entered thereupon. Plaintiff appealed and asserted as error that defendants' attorney had been allowed to make, in his summation to the jury, remarks calculated to arouse prejudice

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\* Rule 28 (1) reads:

"(1) Briefs must be compact, logically arranged with proper headings, concise, and free from burdensome, irrelevant, immaterial, and scandalous matter. Briefs not complying with this rule may be disregarded and stricken by the court."

\*\* Rule 10(c) reads:

"(c) Statement of the Evidence or Proceedings When no Report Was Made or When the Transcript is Unavailable. If no report of the evidence or proceedings at a hearing or trial was made, or if a transcript is unavailable, the appellant may prepare a statement of the evidence or proceedings from the best available means, including his recollection. The statement shall be served on the appellee, who may serve objections or propose amendments thereto within 10 days after service. Thereupon the statement and any objections or proposed amendments shall be submitted to the district court for settlement and approval and as settled and approved shall be included by the clerk of the district court in the record on appeal.

against plaintiff insurance company. This alleged summation was not recorded in the trial transcript and, the Trial Judge, in denying plaintiff's motion for a new trial, stated that he did not recall the substance of said summation. In rejecting this charge of error, the Second Circuit noted that plaintiff had failed to comply with the predecessor to Rule 10(c), F.R.A.P., and could not rely on this summation, stating (at p. 533):

" . . . Since under [the predecessor to Rule 10(c), plaintiff] must settle the record in case of dispute as to what occurred, we cannot consider the attorney's affidavits as to what was said."

In *Kayo Oil Company v. Sammons*, 321 F.2d 729 (5th Cir. 1963), the Fifth Circuit Court was called upon to deal with an action brought for wrongful death resulting from a motor vehicle accident. After judgment for plaintiff, defendants appealed and charged as error the denial of a motion for a mistrial, which motion was based on certain allegedly prejudicial statements made in opposing counsel's closing argument. Once again, no stenographic transcript had been made of said closing argument and defendant had failed to comply with the predecessor to Rule 10(c), F.R.A.P. The Court completely disregarded the alleged closing arguments and any error resulting therefrom, stating (at p. 731):

" . . . It has been consistently held by all the Federal Courts that where the record fails to disclose the argument or an agreed transcript thereof that appellants cannot successfully urge that error was committed in overruling objections to the arguments of opposing counsel."

See also: *Murphy v. St. Paul Fire & Marine Ins. Co.*, 314 F.2d 30 (5th Cir. 1963), *cert. denied*, 375 U.S. 906 (1963); *U.S. v. Dunham Concrete Products, Inc.*, 475 F.2d 1241 (5th Cir. 1973), *cert. denied*, 414 U.S. 832 (1973).

The rule that failure to comply with the provisions of Rule 10(c), F.R.A.P. precludes the reliance on statements not contained in the Record has been specifically applied to alleged statements made in Chambers where no Court Reporter was present. In *Stout v. Jefferson County Board of Education*, 489 F.2d 97 (5th Cir. 1974), a desegregation order was entered against defendant Jefferson County Board after an extensive hearing. Subsequent to this hearing, defendant Jefferson County Board petitioned for modification of this Order, which petition was denied after a hearing in Chambers with no Court Reporter present. On appeal, defendant Jefferson County Board charged that the denial of the petition to modify constituted an abuse of discretion, but, again (as with defendant Hattie Carnegie), Jefferson County Board had not availed itself of the procedures of Rule 10(c). The Fifth Circuit Court affirmed, pointing out the consequences of failure to comply with the specified procedures, stating (at p. 98):

“ . . . Appellant, by failing to comply with Rule 10 F.R.A.P. (footnote omitted), has not shown, and indeed *cannot show*, any abuse of discretion by Judge Pointer.” (emphasis supplied)

Similarly, in *Lillicrop v. Kinsky*, 300 F.2d 736 (D.C. Cir. 1962), the District of Columbia Court of Appeals affirmed a judgment of the District Court, holding that failure to preserve on the record an objection to the opposing counsel's summation constituted a waiver of said objection. This appellate Court informed the Bar of a continuing omission on the part of attorneys (as with defendant Hattie Carnegie's Counsel) in failing to comply with appropriate procedures by placing in the record statements allegedly made in Chambers. That Court's admonition applies directly to this case (at p. 737):

“We add a few words regarding a situation which continually arises before us and which is graphically illustrated by the present case. Counsel frequently

ask for and receive chamber conferences with the judge, of which no stenographic record is made. When the case comes before us we have no way of knowing what agreement was made, as transcripts in this court only too often disclose. It is only fair to counsel to say that, when there is later disagreement or challenge concerning what was done or said, we can take no note of any 'agreements' not reduced to writing or not included in the stenographic record."

In similar language, in *Camps v. New York City Transit Authority*, 261 F.2d 320 (2d Cir. 1958), this Circuit admonished counsel that it must, if the opportunity exists, arrange for stenographic transcript to be made of all conferences in Chambers; and, if not, then to comply with the controlling rule. In language also singularly appropriate to this case, this Court said (at p. 323):

"... Of course it was counsel's responsibility to see that a record was made at the time if he was then interested in preserving his objection. Counsel cannot preserve an objection by colloquy off the record which he does not dignify by seeing that it is stenographically recorded. There is no claim that counsel was not given the opportunity to have such a record made here."

Returning now to the state of this Record, it is clear that the foregoing strictures apply to the inaction of defendant Hattie Carnegie's counsel.

The "hair curling" statement, among others, was allegedly made by the Trial Court in Chambers immediately prior to the commencement of the limited trial (Hattie Carnegie Brief, p. 5).<sup>\*</sup> At the opening of the trial, the

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<sup>\*</sup>Scrutiny of the alleged off-the-record statements (even if credited as complete and accurate) demonstrates that there was

(footnote continued on following page)



District Court (unlike defendant Hattie Carnegie's counsel), undoubtedly mindful of the appellate requirements for a complete record, stated (A I 42a-43a):

"The Court: I might say for the record that I have spoken to counsel both separately in an effort to try to resolve this matter amicably, and since I spoke to Mr. Amster first I might report to him that the defendants' counsel say that their client is probably unreachable by telephone so they can't get any definite indication as to whether the case can be settled this morning.

They have witnesses who may have to be brought in for the purpose of trying it and I think that they would prefer, under the circumstances, to go ahead and try it, to show me their evidence on which they based the charge of infringement and to leave the matter up for decision by the Court.

Mr. Amster: I want to thank the Court for its efforts to settle this case and, under the circumstances,

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*(footnote continued from preceding page)*

absolutely no impropriety by or demonstrable prejudice on the part of the District Court. Plaintiffs' compliance with Judge Conner's standing Order (Section II B), placed before him several days before the limited trial all documents and exhibits necessary for him to have preliminarily concluded that the charge of infringement was without merit—even prior to taking defendant's trial testimony. Indeed, at the very outset of this litigation, plaintiff Capri-Tance indicated that they intended to move for summary judgment (Opinion Introduction, A I 21a); and, by October 21, 1975, that position (which was predicated upon uncontested facts and the controlling body of law) had been embodied in the filed proposed findings of fact and conclusions of law. Considering the unique background of this particular District Judge, it is not surprising that he had done his homework in advance of trial; and, considering the Judges are human (a fact acknowledged by defendant Hattie Carnegie at p. 24), it is also not surprising that Judge Conner might have had some reaction to defendant Hattie Carnegie's unfair trade campaign and species charge of infringement and took the opportunity to warn defendant Hattie Carnegie's counsel of the potential consequences of its client's actions.

we will try to be exceedingly brief in our presentation."

Thus, the Trial Court made of record the separate (and unsuccessful) settlement discussion that had been held with respective counsel only minutes before and presented defendant Hattie Carnegie's counsel with the golden opportunity to challenge the Court's contemporaneous reconstruction of what had just occurred in Chambers. If defendant Hattie Carnegie thought it had been prejudiced, it could have placed its version of what occurred in Chambers (and its allegations of prejudice) on the Record, thereby laying the necessary foundation for appellate review. It declined. Under the circumstances, defendant Hattie Carnegie's counsel cannot now carp about the state of this Record because, not only did defendant Hattie Carnegie's counsel decline to take advantage of this Court-provided opportunity, but, in the almost four months since the limited trial, it has still not complied with Rule 10(c), F.R.A.P. Thus, those portions of defendant Hattie Carnegie's Brief which deal with its due process argument (at pp. 24-26) and the "facts" advanced in support thereof (at pp. 3-6), should be stricken by this Court under Second Circuit Rule 28(1).

Finally, as to the expedited time schedule, defendant Hattie Carnegie should not be heard to complain because the District Court, based upon plaintiffs Capri-Tancer's demonstrated need for prompt relief, followed the legal maxim "*lex dilationes semper exhorret*"—the law always abhors delay.

## V. Conclusion

Plaintiffs Capri-Tancer, threatened with immediate and severe legal action for patent infringement by defendant Hattie Carnegie at the beginning of the 1975 Christmas selling season, requested prompt judicial relief, and the

District Court responded to that request and afforded defendant Hattie Carnegie the opportunity to either withdraw its threats or prove the same at an expedited trial limited to the issue of infringement. By promptly reacting to the commercial realities, the District Court only precluded defendant Hattie Carnegie from pursuing its campaign of trade and customer harassment and afforded to plaintiffs Capri-Tancer the opportunity to obtain judicial sanction of their respective rights to market their products without intimidation by defendant Hattie Carnegie. The judicious and expeditious handling of this litigation by the District Court should be affirmed.

Respectfully submitted,

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(59425)



UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

CAPRI JEWELRY INCORPORATED and TANCER & TWO, INC.,  
Plaintiffs-Appellees,

v.

HATTIE CARNEGIE JEWELRY ENTERPRISES, LTD.,

Defendant-Appellant,

and

BILL G. JAMES,

Defendant.

**AFFIDAVIT  
OF SERVICE**

STATE OF NEW YORK,  
COUNTY OF NEW YORK, ss.:

Juan Delgado, being duly sworn, deposes and says that he is over the age of 18 years, is not a party to the action, and resides at 596 Riverside Drive, New York, New York. That on February 19, 1976, he served 2 copies of Brief for Plaintiffs-Appellees on

NIMS, HOWES, COLLISON & ISNER,  
Attorneys for Defendant-Appellant,  
60 East 42nd Street  
New York, New York.

by delivering to and leaving same with a proper person or persons in charge of the office or offices at the above address or addresses during the usual business hours of said day.

Sworn to before me this  
19th day of February, 1976

*Juan Delgado* . . . . .

*John V. DeRosito*  
JOHN V. DEROSITO  
Notary Public, State of New York  
No. 30-09-1960  
Qualified in Nassau County  
Commission Expires March 30, 1977